

Attachment



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

April 20, 1990

The Honorable John Conyers, Jr., Chairman
Committee on Government Operations
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

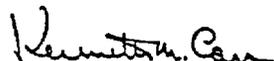
Thank you for the opportunity to provide our assessment of the impact that the proposed Chief Financial Officer (CFO) legislation might have upon the Nuclear Regulatory Commission (NRC). The Commission supports the CFO concept and believes that it fosters financial management efficiency and effectiveness. The basic CFO structure and the five functional areas highlighted in your letter of March 27, 1990, have been incorporated into the NRC's organization structure and process since its inception in 1975.

As NRC's CFO, the Controller has responsibility for all budget, accounting, internal control, and other financial management initiatives. NRC's CFO organization has allowed it to maintain an efficient information interface between its planning/budgeting and accounting/financial management functions.

One proposal being considered would require the CFO to report directly to the agency head. This would require a change in the NRC structure. Currently, our Office of the Controller reports directly to the agency's Executive Director for Operations, who is our chief operating and administrative officer, and is responsible for the day-to-day operation of the agency. The Executive Director for Operations in turn reports directly to the NRC Chairman. The Commission is satisfied with this reporting arrangement and would prefer that it not be altered. Day-to-day supervision of the financial functions of the agency is best handled at the Executive Director for Operations level. Of course, the Chairman and the other NRC Commissioners become involved in resolving the major financial management issues that the agency must address.

Again, thank you for the opportunity to comment on this proposed legislation.

Sincerely,


Kenneth M. Carr



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

September 11, 1990

Attachment

The Honorable John Conyers, Jr., Chairman
Committee on Government Operations
United States House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

Thank you for the opportunity to provide the Nuclear Regulatory Commission's (NRC's) comments on the draft "Financial Management Reform Act of 1990." The Commission supports many of the objectives underlying this proposal.

However, as we indicated in our April 20, 1990 letter to you on similar legislation, the NRC already has a Chief Financial Officer, the Controller, who has responsibility for all budget, accounting, internal control, and other financial management initiatives. This organizational structure has permitted the NRC to meet the major goals of this legislation and enables us to maintain an efficient information interface between our planning/budget and accounting/financial management functions.

Given the effectiveness of our current program, the NRC opposes the provision in the legislation that would require the Chief Financial Officer to report directly to the agency head. At present, the Controller is appointed by and reports directly to the agency's Executive Director for Operations (EDO), the agency's chief operating and administrative officer responsible for the day-to-day operation of the agency. The EDO in turn reports directly to the NRC Chairman. The Commission believes that day-to-day supervision of the financial functions of the agency is best handled at the EDO level. As you may know, the NRC has developed an integrated strategic planning/budget process to plan for our health and safety mission, and the Controller is an integral part of this process. The EDO has the responsibility for the planning and operation of the NRC's health and safety missions, and the effectiveness of this process could be adversely affected if the Controller did not report to the EDO. Of course, major financial management issues will continue to be resolved by the Commission itself.

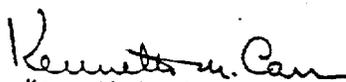
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The Commission also opposes the provision which provides that the Chief Financial Officer shall be appointed by the President and confirmed by the Senate. As a small, independent regulatory commission, the NRC is concerned that such a provision could result in the appointment of individuals not having the desired understanding of this agency's regulatory programs and operations.

Also, it appears that one of the primary reasons for a statutory Chief Financial Officer is to implement section 303 of the draft legislation. That section would require annual agency financial statements concerning an agency's "revolving funds," "trust funds," and "substantial commercial functions." These financial statements would be audited by the Inspector General of the agency, the Comptroller General, or by an independent external auditor. These provisions appear to be a recognition that government organizations with these types of funds should prepare financial reports and be audited as if they were a private sector entity. Because the NRC already has a Chief Financial Officer and does not have any of these types of funds, we question the need for the NRC to be included within the scope of this legislation.

Commission appreciates your consideration of these comments.

Sincerely,


Kenneth M. Carr

c: Rep. Frank Horton

Attachment

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FOLK MINORITY STAFF DIRECTOR AND CHIEF COUNSEL

United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-8250

April 29, 1991

The Honorable Kenneth M. Carr
Chairman
Nuclear Regulatory Commission
One White Flint North Building
11555 Rockville Pike
Rockville, Maryland 20852

Dear Chairman Carr:

On October 27, 1990, the Congress enacted the Chief Financial Officers Act of 1990 (P.L. 101-576). Because of the compelling nature of the problem to be addressed, we want to speak to the importance of the complete and effective implementation of this Act:

The CFO Act is an important step toward the resolution of long-standing Federal financial management problems. This law represents a bi-partisan effort to effect substantive improvements in Federal financial management practices by establishing a coordinated system of financial accounting, financial reporting, and internal controls. The Act will help prevent the type of control and accounting problems that impede program operation, prevent informed policy-making, and diminish confidence in the Federal Government. The CFO structure is intended to help you by increasing the economy and efficiency of your agency.

One of the key requirements of the CFO Act is the establishment of a CFO structure in 23 departments and major agencies. The fine points of CFO Act implementation are to be worked out by you and your staff in consultation with OMB. There are, however, several observations we would like to make on the CFO structure which are essential to achieving the goals of this legislation.

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First, the agency CFO must be a highly qualified individual who has the necessary expertise to exercise his or her stated authority over all financial management operations, activities and personnel. By the terms of the Act, the CFO is to have demonstrated ability in general management of, and extensive practical experience in financial management practices in large governmental or business entities. As the Act provides new Executive Level IV positions, it represents a unique opportunity to attract to government a cadre of top level financial management executives.

As the CFOs for the sixteen largest departments and agencies are to be appointed with the advice and consent of the Senate, we have a particular interest in the qualifications and the calibre of these individuals. The Governmental Affairs Committee will be working to insure the maintenance of the highest standards for these CFO nominees. The Committee also intends to work with officials of the other seven agencies to insure that their CFO appointments reflect a serious commitment to the Act.

Second, in order to carry out his or her responsibilities, the CFO must be an integral member of the agency's management team. Simply put, the CFO and the CFO's mission must have your support. To this end, the Act requires that the CFO report directly to you as the agency head. Similarly, it is vital that the CFO be provided with sufficient resources and skilled personnel to carry out the dictates of the legislation. A most important personnel decision will be the selection of a highly-skilled Deputy CFO with the necessary hands-on financial management background to direct the agency's financial management activities on a day to day basis.

Finally, regardless of the CFO's qualifications and of your commitment to the Act, the broad goals of this legislation will most likely not be met unless the agency has a clear purposeful plan for the Act's implementation. We are pleased that OMB has been providing ongoing guidance and consultation to assist the departments and agencies in developing their reorganization plans. As the ultimate intent of the CFO act is a coordinated financial management plan for the entire federal government, OMB's active involvement at this stage is crucial.

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Nonetheless, we want to remind you that your ultimate responsibility is to statutory requirements of the CFO Act and other laws. As the organization and authorities of these offices will be the foundation on which the Act is implemented, this Committee intends to closely monitor the work of OMB and the agencies as they sort through these issues.

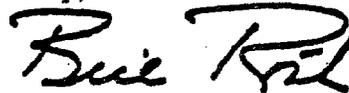
For example, the information resources management requirements of the Paperwork Reduction Act are a major concern of our Committee. While we believe it is vitally important that the CFO be aware of and have a voice in major IRM decisions, especially those involving financial management systems, the CFO Act did not envision simply enveloping the IRM function within the CFO portfolio. These functions are distinct agency management activities and must be so maintained if they are to be performed effectively.

In the coming months Committee staff will begin meeting with agency officials to discuss these and other issues regarding implementation of the CFO Act. We trust that you share our hope and commitment to this important legislation. We recognize that change is not always easy. But change is needed to move ahead toward a modern financial management structure for the Federal government; one that will be a major help to you in doing your job and in restoring the taxpayer's confidence in government's ability to safeguard assets and spend money wisely.

We look forward to working closely with you as you undertake this important endeavour. Please do not hesitate to call if we can be of any assistance.


John Glenn
Chairman

Sincerely,


William Roth, Jr.
Ranking Minority Member

Attachment



POLICY ISSUE
(Notation Vote)

February 19, 1991

SECY-91-046

For: The Commissioners
From: James M. Taylor
Executive Director for Operations
Subject: CHIEF FINANCIAL OFFICERS ACT OF 1990

Purpose: To obtain Commission approval of the proposal which must be submitted to the Office of Management and Budget to implement Section 206(b) of the Chief Financial Officers Act of 1990 (CFO Act).

Background: Congress passed the CFO Act (P.L. 101-576) to bring more effective general and financial management practices to the Federal Government. The Act amended and added a number of sections in Title 31 of the U.S. Code. A summary of all CFO Act requirements is in Enclosure 1. However, this paper only addresses those requirements of the Act which pertain to the submission of the agency proposal for establishing a Chief Financial Officer (CFO) at the NRC. Additional Commission papers will be developed in the future, as necessary, to address other requirements of the CFO Act.

31 USC 901 requires that the Cabinet Departments, EPA, and NASA have Presidentially-appointed (Senate-confirmed) chief financial officers (CFOs) who report directly to the head of the agency. The seven other agencies covered by the CFO Act (AID, FEMA, GSA, NSF, NRC, OPM, and SBA) are required to have CFOs who are appointed by and report directly to the head of the agency. Each agency is also required to have a Deputy CFO who is appointed by the head of the agency and reports to the agency CFO.

Contact:
John D. Evans, OC
492-7988

NOTE: TO BE MADE PUBLICLY AVAILABLE
WHEN THE FINAL SRM IS MADE
AVAILABLE

The Commissioners

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Under another provision of the CFO Act (Section 206(a)), OMB is to issue requirements for each specified agency to conduct a review of its financial management activities for the purpose of consolidating its accounting, budgeting, and other financial management activities under the agency CFO. Not later than 120 days after OMB issues such requirements, the CFO Act (Section 206(b)) requires the head of each specified agency to submit to the Director of OMB a proposal for reorganizing the agency for the purposes of the CFO Act. However, in his January 15, 1991 memorandum (Enclosure 2), the Director of OMB accelerated the timetable required by the CFO Act. That memorandum provided essentially no guidance beyond that contained in the CFO Act for developing the required proposals, but it requested the submission of the agency proposals by March 1, 1991.

Discussion:

The CFO Act (Section 206(b)) requires that the proposal for the CFO organization include:

- (1) a description of all functions, powers, duties, personnel, property, or records which the agency CFO is proposed to have authority over, including those relating to functions that are not related to financial management activities; and
- (2) a detailed outline of the administrative structure of the office of the agency CFO, including a description of the responsibility and authority of financial management personnel and resources in agencies or other subdivisions as appropriate to that agency.

Enclosure 3 is the proposed response to OMB, which includes a description of the proposed organization and functions for the NRC CFO. The proposal to OMB is based on the premise that the existing NRC Office of the Controller will be absorbed into the new NRC Office of the CFO, since most of the CFO responsibilities delineated in the CFO Act are currently centralized in the NRC Office of the Controller. Thus, the questions that need to be addressed are:

- (1) Who should be considered the head of the agency for the purposes of the organizational reporting requirements of the CFO Act?
- (2) What additional functions, responsibilities, and authorities are necessary for the CFO under the Act which are not currently assigned to the NRC Controller?

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With regard to the first question, the proposed response to OMB states that the CFO will report directly to the agency Executive Director for Operations (EDO), who is the chief operating and administrative officer of the Commission¹. As such, the EDO directs the activities of the major program offices within the agency as well as those of the major administrative support offices of the agency, subject to the policy guidance provided by the Commission. I believe that this arrangement provides the proper level of access by the CFO to agency senior management for ensuring that agency financial management receives proper attention. I also recommend that the EDO have the authority to appoint and remove the CFO after consultation with the Commission.

With respect to the second question, the staff concludes that most functions, responsibilities, and authorities of the CFO as specified in the CFO Act are included in the existing NRC Office of the Controller and that the organizational structure of that office is adequate for the new Office of the CFO. Thus, the new CFO organization will assume the existing OC functions, responsibilities, and authorities for accounting, budgeting, financial management and reporting, internal control, etc. Upon OMB approval of the NRC CFO plan, the Office of the Controller will be abolished and its functions transferred to the Office of the CFO.

However, several financial functions included in the CFO Act are not included in the current delegation of authority to the Controller². Such authority should be included in the organization and functions for the Office of the NRC CFO. Areas assigned to the CFO under 31 USC 902 that require authority in addition to that currently assigned to the Office of the Controller include: (1) recruitment, selection, and training of financial management personnel, and the direction and management of financial activities and operations outside of the Office of the CFO (e.g., financial activities in the various NRC offices associated with the administration of allotments which are issued to those

¹NRC Manual Chapter 0103, Organization and Functions, Office of the Executive Director for Operations, March 28, 1990.

²NRC Manual Chapter 0135, Organization and Functions, Office of the Controller, December 11, 1989.

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offices by the CFO's Office; and allocation of FTE ceilings and FTE utilization); (2) approval and management of agency financial management systems design or enhancement projects (e.g., RITS, and office-level financial management systems which are relied upon to provide data for determining license fees); and (3) implementation of agency asset management systems, including systems for property and inventory management and control. The enclosed proposal does not contemplate the direct program management of all of these activities by the NRC CFO, but calls for direct oversight of financial management aspects. The specific methods and procedures for such oversight will need to be developed and codified in applicable NRC management directives after OMB approves the NRC proposal for the CFO organization and functions.

Implementation of the CFO organization and functions delineated in the enclosed proposal and compliance by the NRC with the other requirements in the CFO Act will require resources in addition to those already contained in the approved agency Five-Year Plan. However, it is not possible to determine the magnitude of those resource requirements until other actions are taken by OMB and the NRC to implement the Act. Thus, these future resource requirements will be addressed as part of the Five-Year Plan update process.

Recommendation: That the Commission:

1. Approve the NRC proposal, including the letter to OMB, regarding the authority, responsibilities, and administrative structure of the office of the agency CFO (Enclosure 3).
2. Note that the proposal will be implemented, including appropriate changes to NRC management directives, subsequent to OMB approval.

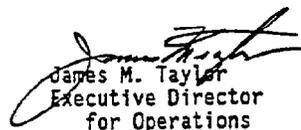
Scheduling:

Commission action is required in time to permit submission of the NRC proposal to OMB by March 1, 1991.

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Coordination: The Office of the General Counsel has reviewed this paper and has no legal objection. The Office of the Inspector General has reviewed a draft of this paper and has provided comments as shown in Enclosure 4. In response to the comment on the organizational chart, the staff revised the chart to reflect the IG's suggestion.


James M. Taylor
Executive Director
for Operations

Enclosures:
1. Summary of CFO Act Requirements
2. January 15, 1991 OMB Memorandum
3. Proposed Organization and
Functions of the NRC CFO
4. February 14, 1991 IG Memo

NOTE: This paper contains predecisional information regarding a proposed NRC organizational matter. I recommend that this paper not be released outside of the NRC until after the proposed action has been approved by the Office of Management and Budget.

Commissioners' comments or consent should be provided directly to the Office of the Secretary by COB Monday, February 25, 1991.

Commission Staff Office comments, if any, should be submitted to the Commissioners NLT Thursday, February 21, 1991, with an information copy to the Office of the Secretary. If the paper is of such a nature that it requires additional review and comment, the Commissioners and the Secretariat should be apprised of when comments may be expected.

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Enclósure 1

Summary of Requirements
Chief Financial Officers Act of 1990
(P.L. 101-576 [November 15, 1990])

TITLE I - GENERAL PROVISIONS

SEC. 101. SHORT TITLE

This act may be cited as the "Chief Financial Officers Act of 1990".

SEC. 102. FINDINGS AND PURPOSES

(a) Findings

The Congress finds the following:

- (1) General management functions of the OMB need to be significantly enhanced to improve the efficiency and effectiveness of the Federal Government.
- (2) Financial management functions of the OMB need to be significantly enhanced to provide overall direction and leadership in the development of a modern Federal financial management structure and associated systems.
- (3) Billions of dollars are lost each year through fraud, waste, abuse, and mismanagement among the hundreds of programs in the Federal Government.
- (4) These losses could be significantly decreased by improved management, including improved central coordination of internal controls and financial accounting.
- (5) The Federal Government is in great need of fundamental reform in financial management requirements and practices as financial management systems are obsolete and inefficient, and do not provide complete, consistent, reliable, and timely information.
- (6) Current financial reporting practices of the Federal Government do not accurately disclose the current and probable future cost of operating and investment decisions, including the future need for cash or other resources, do not permit adequate comparison of actual costs among executive agencies, and do not provide the timely information required for efficient management of programs.

Summary of Requirements
Chief Financial Officers Act of 1990
(P.L. 101-576 [November 15, 1990])
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(b) Purposes

The purposes of this Act are the following:

- (1) Bring more effective general and financial management practices to the Federal Government through statutory provisions which would establish in the OMB a Deputy Director for Management, establish an Office of Federal Financial Management headed by a Controller, and designate a Chief Financial Officer in each executive department and in each major executive agency in the Federal Government.
- (2) Provide for improvement, in each agency of the Federal Government, of systems of accounting, financial management, and internal controls to assure the issuance of reliable financial information and to deter fraud, waste, and abuse of Government resources.
- (3) Provide for the production of complete, reliable, timely, and consistent financial information for use by the executive branch of the Government and the Congress in the financing, management, and evaluation of Federal programs.

Summary of Requirements
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TITLE II - ESTABLISHMENT OF CHIEF FINANCIAL OFFICERS

SEC. 201. DEPUTY DIRECTOR FOR MANAGEMENT

31 USC 502 is amended by adding the following subsection:

§ 502(c) The Office [OMB] has a Deputy Director for Management appointed by the President, by and with the advice and consent of the Senate. The Deputy Director for Management shall be the chief official responsible for financial management in the United States Government.

SEC. 202. FUNCTIONS OF DEPUTY DIRECTOR FOR MANAGEMENT

31 USC is amended by inserting the following new section:

§ 503. Functions of Deputy Director for Management

(a) Financial Management Functions

Subject to the direction and approval of the Director [OMB], the Deputy Director for Management shall establish government-wide financial management policies for executive agencies and shall perform the following financial management functions:

- (1) Perform all functions of the Director relating to financial management.
- (2) Provide overall direction and leadership to the executive branch on financial management matters by establishing financial management policies and requirements, and by monitoring the establishment and operation of Federal Government financial management systems.
- (3) Review agency budget requests for financial management systems and operations, and advise the Director on the resources required to develop and effectively operate and maintain Federal Government financial management systems and to correct major deficiencies in such systems.
- (4) Review and, where appropriate, recommend to the Director changes to the budget and legislative proposals of agencies to ensure that they are in accordance with financial management plans of the OMB.

Summary of Requirements
Chief Financial Officers Act of 1990
(P.L. 101-576 [November 15, 1990])

- (5) Monitor the financial execution of the budget in relation to actual expenditures, including timely performance reports.
- (6) Oversee, periodically review, and make recommendations to heads of agencies on the administrative structure of agencies with respect to their financial management activities.
- (7) Develop and maintain qualification standards for agency Chief financial Officers and for agency Deputy Chief Financial Officers.
- (8) Provide advice to agency heads with respect to the selection of agency Chief Financial Officers and Deputy Chief Financial Officers.
- (9) Provide advice to agencies regarding the qualifications, recruitment, performance, and retention of other financial management personnel.
- (10) Assess the overall adequacy of the professional qualifications and capabilities of financial management staffs throughout the Government and make recommendations on ways to correct problems which impair the capacity of those staffs.
- (11) Settle differences that arise among agencies regarding the implementation of financial management policies.
- (12) Chair the Chief Financial Officers Council.
- (13) Communicate with the financial officers of State and local governments, and foster the exchange with those officers of information concerning financial management standards, techniques, and processes.
- (14) Issue such other policies and directives as may be necessary to carry out this section, and perform any other function prescribed by the Director.

(b) General Management Functions

Subject to the direction and approval of the Director [OMB], the Deputy Director for Management shall establish general management policies for executive agencies and shall perform the following general management functions:

Summary of Requirements
Chief Financial Officers Act of 1990
(P.L. 101-576 [November 15, 1990])

- (1) Coordinate and supervise the general management functions of the OMB.
- (2) Perform all functions of the Director relating to:
 - (A) managerial systems, including systematic measurement of performance;
 - (B) procurement policy;
 - (C) grant, cooperative agreement, and assistance management;
 - (D) information and statistical policy;
 - (E) property management;
 - (F) human resources management;
 - (G) regulatory affairs; and
 - (H) other management functions, including organizational studies, long-range planning, program evaluation, productivity improvement, and experimentation and demonstration programs.
- (3) Provide complete, reliable, and timely information to the President, the Congress, and the public regarding the management activities of the executive branch.
- (4) Facilitate actions by the Congress and the executive branch to improve the management of Federal Government operations and to remove impediments to effective administration.
- (5) Provide leadership in management innovation, through:
 - (A) experimentation, testing, and demonstration programs; and
 - (B) the adoption of modern management concepts and technologies.
- (6) Work with State and local governments to improve and strengthen intergovernmental relations, and provide assistance to such governments with respect to intergovernmental programs and cooperative arrangements.

Summary of Requirements
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- (7) Review and, where appropriate, recommend to the Director changes to the budget and legislative proposals of agencies to ensure that they respond to program evaluations by, and are in accordance with general management plans of, the OMB.
- (8) Provide advice to agencies on the qualification, recruitment, performance, and retention of managerial personnel.
- (9) Perform any other functions prescribed by the Director.

SEC. 203. OFFICE OF FEDERAL FINANCIAL MANAGEMENT

203(a) Add a new section to 31 USC:

§ 504. Office of Federal Financial Management

- (a) A new Office of Federal Financial Management (OFFM) is established within OMB under the direction and control of the Deputy Director for Management to carry out the financial management functions of 31 USC 503(a).
- (b) The OFFM is to be headed by a Controller. Qualifications are specified.
- (c) The Controller of the OFFM is to be the deputy and principal advisor to the Deputy Director for Management in the performance of the functions described in 31 USC 503(a).

SEC. 204. DUTIES AND FUNCTIONS OF THE DEPARTMENT OF THE TREASURY

Nothing in this Act shall be construed to interfere with the exercise of the functions, duties, and responsibilities of the Department of the Treasury, as in effect immediately before the enactment of this Act.

Summary of Requirements
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(P.L. 101-576 [November 15, 1990])

SEC. 205. AGENCY CHIEF FINANCIAL OFFICERS

205(a) Add a new chapter to subtitle I of title 31;

CHAPTER 9 - AGENCY CHIEF FINANCIAL OFFICERS

§ 901. Establishment of Agency Chief Financial Officers

- (a) Each agency described in subsection (b) is to have an agency Chief Financial Officer (CFO).
- (1) For the agencies described in subsection (b)(1), the CFO:
- (A) is to be appointed by the President, with the consent of the Senate; or
- (B) is to be designated by the President, in consultation with the head of the agency, from among officials of the agency who are required by law to be so appointed.
- (2) For the agencies described in subsection (b)(2), the CFO:
- (A) is to be appointed by the head of the agency;
- (B) is to be in the competitive service or the senior executive service; and
- (C) is to be a career appointee.
- (3) All CFOs are to be appointed or designated, as applicable, from among individuals who possess demonstrated ability in general management of, and knowledge of and extensive practical experience in financial management practices in large government or business entities.
- (b) Delineation of Agencies Requiring CFOs
- (1) The agencies referred to in subsection (a)(1) are: The Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Housing and Urban Development, Interior, Justice, Labor, State, Transportation, Treasury, Veterans Affairs, the EPA, and the NASA.
- (2) The agencies referred to in subsection (a)(2) are: AID, FEMA, GSA, NSF, NRC, OPM, and SBA.

Summary of Requirements
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§ 902. Authority and Functions of Agency Chief Financial Officers

(a) An agency CFO shall:

- (1) report directly to the head of the agency regarding financial management matters;
- (2) oversee all financial management activities relating to the programs and operations of the agency;
- (3) develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls, which:
 - (A) complies with applicable accounting principles, standards, and requirements, and internal control standards;
 - (B) complies with such policies and requirements as may be prescribed by the Director of OMB;
 - (C) complies with any other requirements applicable to such systems; and
 - (D) provides for:
 - (i) complete, reliable, consistent, and timely information which is prepared on a uniform basis and which is responsive to the financial information needs of agency management;
 - (ii) the development and reporting of cost information;
 - (iii) the integration of accounting and budgeting information; and
 - (iv) the systematic measurement of performance;
- (4) make recommendations to the head of the agency regarding the selection of the Deputy CFO of the agency;

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- (5) direct, manage, and provide policy guidance and oversight of agency financial management personnel, activities, and operations, including:
 - (A) the preparation and annual revision of an agency plan to:
 - (i) implement the 5-year financial management plan prepared by OMB under 31 USC 3512(a)(3); and
 - (ii) comply with the requirements established under 31 USC 3515 and subsections (e) and (f) of 31 USC 3521;
 - (B) the development of agency financial management budgets;
 - (C) the recruitment, selection, and training of personnel to carry out agency financial management functions;
 - (D) the approval and management of agency financial management systems design or enhancement projects;
 - (E) the implementation of agency asset management systems, including systems for cash management, credit management, debt collection, and property and inventory management and control;
- (6) prepare and transmit, by not later than 60 days after the submission of the audit report required by 31 USC 3521(f) [NLT August 31], an annual report to the agency head and the Director of OMB, which includes:
 - (A) a description and analysis of the status of financial management of the agency;
 - (B) the annual financial statements prepared under 31 USC 3515;
 - (C) the audit report transmitted to the head of the agency under 31 USC 3521(f);
 - (D) a summary of the reports on internal accounting and administrative control systems submitted to the President and the Congress under the amendments made by the Federal Manager's Financial Integrity Act of 1982 (P. L. 97-255); and

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- (E) other information the head of the agency considers appropriate to fully inform the President and the Congress concerning the financial management of the agency;
 - (7) monitor the financial execution of the budget of the agency in relation to actual expenditures, and prepare and submit to the head of the agency timely performance reports; and
 - (8) review, on a biennial basis, the fees, royalties, rents, and other charges imposed by the agency for services and things of value it provides, and make recommendations on revising those charges to reflect costs incurred by it in providing those services and things of value.
- (b) Further authority of the agency CFOs:
- (1) In addition to the authority otherwise provided by this section, the CFO:
 - (A) subject to paragraph (2), shall have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material which are the property of the agency or which are available to the agency, and which relate to programs and operations with respect to which that agency CFO has responsibilities under this section;
 - (B) may request such information or assistance as may be necessary for carrying out the duties and responsibilities provided by this section from any Federal, State, or local governmental entity; and
 - (C) to the extent and in such amounts as may be provided in advance by appropriations Acts, may:
 - (i) enter into contracts and other arrangements with public agencies and with private persons for the preparation of financial statements, studies, analyses, and other services; and
 - (ii) make such payments as may be necessary to carry out the provisions of this section.

Summary of Requirements
Chief Financial Officers Act of 1990
(P.L. 101-576 [November 15, 1990])

- (2) Except as provided in paragraph (1)(B), this subsection does not provide to an agency CFO any access greater than permitted under any other law to records, reports, audits, reviews, documents, papers, recommendations, or other material of any Office of Inspector General established under the Inspector General Act of 1978.

§ 903. Establishment of Agency Deputy Chief Financial Officers

- (a) There shall be within each agency described in 31 USC 901(b) an agency Deputy Chief Financial Officer, who shall report directly to the agency CFO on financial management matters. The position of agency Deputy CFO shall be a career reserved position in the Senior Executive Service.
- (b) Consistent with qualification standards developed by, and in consultation with, the agency CFO and the Director of OMB, the head of each agency shall appoint as Deputy CFO an individual with demonstrated ability and experience in accounting, budget execution, financial and management analysis, and systems development, and not less than 6 years practical experience in financial management at large governmental entities.

205(b) Clerical Amendment

205(c) Applies to Departments of Veterans Affairs and HUD.

SEC. 206. TRANSFER OF FUNCTIONS AND PERSONNEL OF AGENCY CHIEF FINANCIAL OFFICERS

206(a) Agency Reviews of Financial Management Activities

Not later than 120 days after the date of enactment of this Act [NLT 3/15/91], the Director of OMB shall require each agency listed in 31 USC 901(b) to conduct a review of its financial management activities for the purpose of consolidating its accounting, budgeting, and other financial management activities under the agency CFO.

206(b) Reorganization Proposal

Not later than 120 days after the issuance of requirements under subsection 206(a) and subject to all laws vesting functions in particular officers and employees of the United States, the head of each agency shall submit to the Director of OMB a proposal for reorganizing the agency for the purposes of this Act. Such proposal shall include:

Summary of Requirements
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(P.L. 101-576 [November 15, 1990])

- (1) a description of all functions, powers, duties, personnel, property, or records which the agency CFO is proposed to have authority over, including those relating to functions that are not related to financial management activities; and
- (2) a detailed outline of the administrative structure of the office of the agency CFO, including a description of the responsibility and authority of financial management personnel and resources in agencies or other subdivisions as appropriate to that agency.

206(c) Review and Approval of Proposal

Not later than 60 days after receiving a proposal from the head of an agency under subsection 206(b), the Director of OMB shall approve or disapprove the proposal and notify the head of the agency of that approval or disapproval. The Director shall approve each proposal which establishes an agency CFO in conformance with 31 USC 901 and which establishes a financial management structure reasonably tailored to the functions of the agency. Upon approving or disapproving a proposal of an agency under this section, the Director shall transmit to the head of the agency a written notice of that approval or disapproval.

206(d) Implementation of Proposal

Upon receiving written notice of approval of a proposal under this section from the Director of OMB, the head of the agency shall implement that proposal.

SEC. 207. COMPENSATION

This section establishes the compensation levels for the OMB Deputy Director for Management, the OMB Controller, and Department Level CFOs.

Summary of Requirements
Chief Financial Officers Act of 1990
(P.L. 101-576 [November 15, 1990])

TITLE III - ENHANCEMENT OF FEDERAL FINANCIAL MANAGEMENT ACTIVITIES

SEC. 301. FINANCIAL MANAGEMENT STATUS REPORT; 5-YEAR PLAN OF DIRECTOR OF OMB

301(a) Revise the title of 31 USC 3512 and add a new subsection (a) as follows [existing subsections (a) - (f) are renumbered as (b) - (g)]:

§ 3512. Executive Agency Accounting and Other Financial Management Reports and Plans

(a) Requirements for 5-Year Plan and Status Report

- (1) The Director of OMB shall prepare and submit to the appropriate committees of the Congress a financial management status report and a governmentwide 5-year financial management plan.
- (2) The required financial management status report shall include:
 - (A) a description and analysis of the status of financial management in the executive branch;
 - (B) a summary of the most recently completed financial statements:
 - (i) of Federal agencies under 31 USC 3515; and
 - (ii) of Government corporations;
 - (C) a summary of the most recently completed financial statement audits and reports:
 - (i) of Federal agencies under 31 USC 3521 (e) and (f); and
 - (ii) of Government corporations;
 - (D) a summary of reports on internal accounting and administrative control systems submitted to the President and the Congress under the amendments made by the Federal Managers' Financial Integrity Act of 1982 (P. L. 97-255); and

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- (E) any other information the Director considers appropriate to fully inform the Congress regarding the financial management of the Federal Government.
- (3) 5-Year Financial Management Plan
- (A) A governmentwide 5-year financial management plan prepared under this subsection shall describe the activities the Director, the Deputy Director for Management, the Controller of the OMB Office of Federal Financial Management, and agency CFOs shall conduct over the next 5 fiscal years to improve the financial management of the Federal Government.
 - (B) Each governmentwide 5-year financial plan shall:
 - (i) describe the existing financial management structure and any changes needed to establish an integrated financial management system;
 - (ii) be consistent with applicable accounting principles, standards, and requirements;
 - (iii) provide a strategy for developing and integrating individual agency accounting, financial information, and other financial management systems to ensure adequacy, consistency, and timeliness of financial information;
 - (iv) identify and make proposals to eliminate duplicative and unnecessary systems, including encouraging agencies to share systems which have sufficient capacity to perform the functions needed;
 - (v) identify projects to bring existing systems into compliance with the applicable standards and requirements;
 - (vi) contain milestones for equipment acquisitions and other actions necessary to implement the 5-year plan consistent with the requirements of this section;
 - (vii) identify financial management personnel needs and actions to ensure those needs are met;

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- (viii) include a plan for ensuring the annual audit of financial statements of executive agencies pursuant to 31 USC 3521(h); and
 - (ix) estimate the costs of implementing the governmentwide 5-year plan.
- (4) Submission of Financial Management Status Report and 5-Year Financial Management Plan to Congress
- (A) Not later than 15 months after the date of enactment of this subsection [NLT 2/15/92], the Director of OMB shall submit the first financial management status report and governmentwide 5-year financial management plan to the appropriate committees of the Congress.
 - (B) Annual Updates
 - (i) Not later than January 31 of each year thereafter, the Director of OMB shall submit to the appropriate committees of the Congress a financial management status report and a revised governmentwide 5-year financial management plan to cover the succeeding 5 fiscal years, including a report on the accomplishments of the executive branch in implementing the plan during the preceding fiscal year.
 - (ii) The Director shall include with each revised plan a description of any substantive changes in the financial statement audit plan required by paragraph (3)(B)(viii), progress made by executive agencies in implementing the audit plan, and any improvements in Federal Government financial management related to preparation and audit of financial statements of executive agencies.
- (5) Not later than 30 days after receiving each annual report under 31 USC 902(a)(6), the Director shall transmit to the Chairman of the Committee on Government Operations of the House of Representatives and the Chairman of the Committee on Governmental Affairs of the Senate a final copy of that report and any comments on the report by the Director.

301(b) Clerical Amendment.

Summary of Requirements
Chief Financial Officers Act of 1990
(P.L. 101-576 [November 15, 1990])
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SEC. 302. CHIEF FINANCIAL OFFICERS COUNCIL

302(a) Establishment

There is established a Chief Financial Officers Council, consisting of:

- (1) the Deputy Director for Management, OMB, who shall act as chairperson of the council;
- (2) the Controller of the OMB Office of Federal Financial Management;
- (3) the Fiscal Assistant Secretary of Treasury; and
- (4) each of the agency Chief Financial Officers.

302(b) Functions

The CFO Council shall meet periodically to advise and coordinate the activities of the agencies of its members on such matters as consolidation and modernization of financial systems, improved quality of financial information, financial data and information standards, internal controls, legislation affecting financial operations and organizations, and any other financial management matter.

Summary of Requirements
Chief Financial Officers Act of 1990
(P.L. 101-576 [November 15, 1990])

SEC. 303. FINANCIAL STATEMENTS OF AGENCIES

303(a) Preparation of Financial Statements

(1) Add a new section to 31 USC:

§3515. Financial Statements of Agencies

- (a) *Not later than 3/31/92 and each year thereafter*, the head of each agency listed in 31 USC 901(b) shall prepare and submit to the Director of OMB a financial statement for the preceding fiscal year covering:
- (1) each *revolving fund* and *trust fund* of the agency; and
 - (2) to the extent practicable, the accounts of each office, bureau, and activity of the agency which performed substantial *commercial functions* during the preceding fiscal year.
- (b) *Each financial statement shall reflect:*
- (1) the overall financial position of the revolving funds, trust funds, offices, bureaus, and activities covered by the statement, including assets and liabilities thereof;
 - (2) results of operations of those revolving funds, trust funds, offices, bureaus, and activities;
 - (3) cash flows or changes in financial position of those revolving funds, trust funds, offices, bureaus, and activities; and
 - (4) a reconciliation to budget reports of the executive agency for those revolving funds, trust funds, offices, bureaus, and activities.
- (c) *The Director of OMB shall prescribe the form and content of the financial statements*, consistent with applicable accounting principles, standards, and requirements.

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(d) *The term commercial functions includes:*

- > buying and leasing of real estate, providing insurance, making loans and loan guarantees, and other credit programs; and
- > *any activity involving the provision of a service or thing of value for which a fee, royalty, rent, or other charge is imposed by an agency for services and things of value it provides¹.*

(e) *Not later than March 31 of each year, the head of each executive agency designated by the President may prepare and submit to the Director of OMB a financial statement for the preceding fiscal year, covering accounts of offices, bureaus, and activities of the agency in addition to those described in 31 USC 3515(a) above. [This provision is only effective after the President's designation is approved by Congress as described in 303(b) below.]²*

303(a)(3) *The Director of OMB may waive the requirement for FY 1991 financial statements.*

303(b) Resolution Approving Designation of Agencies

Specific procedures are delineated for passage of a joint resolution approving the President's designation of agencies which may prepare and submit to the Director of OMB a financial statement for the preceding fiscal year, covering accounts of offices, bureaus, and activities of the agency in addition to those involving revolving funds, trust funds, or commercial activities.

¹This provision was not in H.R. 5687 as reported in House Report 101-818, Pt. 1. It was added in a Senate amendment discussed in the October 26, 1990 *Congressional Record*, pages S17259-S17262.

²House Report 101-818, Pt. 1, page 26 and the October 27, 1990 *Congressional Record*, page H13340, seem to indicate that the House Government Operations Committee (which originated H.R. 5687) did not intend for this provision to be effective until after receipt by Congress of the report required by Section 303(e) of the CFO Act. That is, this provision was not to be effective until after completion and evaluation of the pilot project required by Section 303(d) of the CFO Act.

Summary of Requirements
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303(c) Report on Substantial Commercial Functions

Not later than 180 days after the date of enactment of this Act [NLT May 15, 1991], the Director of OMB shall determine and report to the Congress on which executive agencies or parts thereof perform substantial³ commercial functions for which financial statements can be prepared practicably.

303(d) Pilot Project

- (1) Not later than March 31 of each of 1991, 1992, and 1993 the head of the Departments of Agriculture, Labor, and Veterans Affairs, the GSA, and the SSA shall each prepare and submit to the Director of OMB financial statements for the preceding fiscal year for the accounts of all of the offices, bureaus, and activities of that department or administration.
- (2) Not later than March 31 of each of 1992, and 1993 the head of the Departments of Housing and Urban Development, and the Army shall prepare and submit to the Director of OMB financial statements for the preceding fiscal year for the accounts of all of the offices, bureaus, and activities of that department.
- (3) Not later than March 31 of 1993 the head of the Department of the Air Force, the Internal Revenue Service, and the U.S. Customs Service shall each prepare and submit to the Director of OMB financial statements for the preceding fiscal year for the accounts of all of the offices, bureaus, and activities of that department or service.
- (4) Each financial statement prepared under the pilot project shall be audited.

303(e) Report on Initial Financial Statements

Not later than 6/30/93, the Director of OMB shall report to the Congress on the financial statements prepared for fiscal years 1990, 1991, and 1992. The report shall include an analysis of:

- (1) the accuracy of the data included in the financial statements;
- (2) the difficulties each department and agency encountered in preparing the data included in the financial statements;

³As discussed in House Report 101-818, Pt. 1, page 25: "the word *substantial* connotes a majority".

Summary of Requirements
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- (3) the benefits derived from the preparation of the financial statements; and
- (4) the cost associated with preparing and auditing the financial statements, including a description of any activities that were foregone as a result of that preparation and auditing.

SEC. 304. FINANCIAL AUDITS OF AGENCIES

304(a) Add the following new subsections to 31 USC 3521:

- (e) Each financial statement prepared by an agency as described above shall be audited in accordance with applicable generally accepted government auditing standards.
 - (1) *For agencies with an IG, the audit shall be conducted by the IG or by an independent external auditor, as determined by the IG.*
 - (2) For other agencies, the audit shall be conducted by an independent external auditor, as determined by the head of the agency.
- (f) *Not later than June 30 following the fiscal year for which a financial statement is submitted by an agency, the person who audits the statement shall submit a report to the head of the agency. The report shall be prepared in accordance with generally accepted government auditing standards.*
- (g) The Comptroller General of the United States:
 - (1) may review any audit of a financial statement;
 - (2) shall report to the Congress, the Director of OMB, and the head of the agency which prepared the statement, regarding the results of the review and make any recommendation the Comptroller General considers appropriate; and
 - (3) may audit a financial statement prepared IAW this Act at the discretion of the Comptroller General or at the request of a committee of the Congress. Such an audit would be in lieu of the audit required by 31 USC 3521(e).

304(b) *The Director of OMB may waive the requirements for an audit and report of audit of the financial statements for fiscal years 1990 and 1991.*

SEC. 305. FINANCIAL AUDITS OF GOVERNMENT CORPORATIONS

Summary of Requirements
Chief Financial Officers Act of 1990
(P.L. 101-576 [November 15, 1990])

SEC. 306. MANAGEMENT REPORTS OF GOVERNMENT CORPORATIONS

SEC. 307. ADOPTION OF CAPITAL ACCOUNTING STANDARDS

No capital accounting standard or principle, including any human capital standard or principle, shall be adopted for use in an executive department or agency until such standard has been reported to the Congress and a period of 45 days of continuous session of the Congress has expired.

Enclosure 2



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

January 15, 1991

M-91-06

MEMORANDUM FOR THE HEADS OF SELECTED EXECUTIVE DEPARTMENTS
AND AGENCIES

FROM: Richard G. Darman *Richard G. Darman*

SUBJECT: Chief Financial Officers Act of 1990

The President signed the Chief Financial Officers Act of 1990 (CFOs Act) on November 15, 1990. At that time, he said: "Improving the Government's stewardship over public funds is critically important. The Act will help us to strengthen the systems that provide the President, the Congress, and the American people with the information necessary to make informed decisions on how public funds are spent. It will also help ensure that these data are timely and reflect more accurately the true costs of running the Federal government."

The CFOs Act requires that the Cabinet Departments, EPA and NASA have Presidentially-appointed (Senate-confirmed) chief financial officers (CFOs). The nine other agencies covered by the CFOs Act are required to have CFOs who are career SES appointees. In both cases, the CFOs are to "...possess demonstrated ability in general management of, and knowledge of and extensive practical experience in financial management practices in large governmental or business entities."

The CFOs Act also requires that each of you undertake a review of your agency's financial management activities "...for the purpose of consolidating [the agency's] accounting, budgeting, and other financial management activities under the agency Chief Financial Officer...." This review is to result in your submitting to OMB an organizational proposal which describes (i) the functions, powers, duties, personnel, property, and records over which the CFO is to have authority and (ii) the administrative structure of the office of the agency CFO (including a description of the responsibility and authority of financial management personnel in agencies or subdivisions of agencies). The CFOs Act also requires OMB approval of your organization proposals and OMB qualification standards for agency CFOs and their deputies.

In order to allow the Administration to move forward as rapidly as possible with organizational approvals and CFO appointments (financial management plans and audited financial statements are due in the Fall of 1991), I would be grateful if you would submit your CFO organization proposals by March 1, 1991. We will provide you with our reactions to these proposals by March 15. We will also work with Presidential Personnel on CFO appointments so that the President might be in a position to make his selections as soon as possible.

Because of the importance of this effort and the need to work out a mutually satisfactory approach to improved financial management, I am asking Frank Hodsoll, OMB's Executive Associate Director, to meet with you personally within the next two weeks to discuss these issues.

Thank you very much.

Enclosure 3

DRAFT 2/15/91

The Honorable Richard G. Darman, Director
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Darman:

As required by Section 206 of the Chief Financial Officers Act of 1990 (CFO Act) and as requested in your memorandum of January 15, 1991, the U.S. Nuclear Regulatory Commission (NRC) has conducted a review of its financial management activities for the purpose of ensuring that all of its accounting, budgeting, and other financial management activities are consolidated under the agency Chief Financial Officer (CFO). The enclosed proposal for the organization and functions of the NRC CFO is the result of that review.

Section 205(a) of the CFO Act requires that the agency CFO be appointed by and report directly to the head of the agency regarding financial management matters. To satisfy this requirement, the Commission plans to have the NRC CFO appointed by and report directly to the agency Executive Director for Operations (EDO). The EDO is the chief operating and administrative officer of the Commission. As such, the EDO directs the activities of the major program offices within the agency as well as those of the major administrative support offices of the agency, subject to the policy guidance provided by the Commission. The Commission believes that this arrangement provides the proper level of access by the CFO to agency senior management for ensuring that agency financial management issues receive proper attention.

I recommend that you approve the enclosed proposal. Once the Commission receives written approval from you, it will implement the proposal.

Sincerely,

Kenneth M. Carr

Enclosure:
Proposed Organization and
Functions of the NRC CFO

Proposed
Organization and Functions
of the
Chief Financial Officer
of the
U. S. Nuclear Regulatory Commission



DRAFT February 19, 1991

*Proposed Organization and Functions of the
Chief Financial Officer of the U.S. Nuclear Regulatory Commission*

I. INTRODUCTION

As required by Section 206 of the Chief Financial Officers Act of 1990 (CFO Act), the U.S. Nuclear Regulatory Commission (NRC) has conducted a review of its financial management activities for the purpose of ensuring that all of its accounting, budgeting, and other financial management activities are consolidated under the agency Chief Financial Officer (CFO). The overall objective of the proposed NRC CFO organization is to ensure that all NRC financial management responsibilities are consolidated and managed so as to enhance the quality and timeliness of the financial information that is used by the NRC, the President, and the Congress. Further, the NRC proposal will help to ensure that the NRC gives appropriate consideration to financial information in its decisions and day-to-day operations and will enhance the agency's efforts to ensure that resources are properly used and safeguarded.

The following sections describe the proposed organization and functions of the NRC CFO.

II. ORGANIZATIONAL REPORTING REQUIREMENTS

Section 205(a) of the CFO Act requires that the agency CFO be appointed by and report directly to the head of the agency regarding financial management matters. To satisfy this requirement, the Commission plans to have the NRC CFO report directly to the agency Executive Director for Operations (EDO). The NRC is a five member Commission. Under Presidential Reorganization Plan #1 of 1980, the EDO reports directly to the Commission Chairman but receives policy guidance (including guidance on budgetary and financial matters) from the full Commission. The EDO is the chief operating and administrative officer of the Commission and under the Reorganization Plan has been delegated the responsibility for the day to day financial management of the agency. The EDO directs the activities of the major program offices within the agency as well as those of the major administrative support offices of the agency, subject to the policy guidance provided by the Commission. The CFO and Deputy CFO will be appointed by the EDO after consultation with the Commission. The Deputy CFO will report directly to the CFO and will assist the CFO in his duties.

The Commission believes that the proposed arrangement provides for the proper level of access by the CFO to agency senior management for ensuring financial management is given appropriate consideration, emphasis, and priority. The administrative structure of the NRC Office of the CFO is depicted in the attached chart.

*Proposed Organization and Functions of the
Chief Financial Officer of the U.S. Nuclear Regulatory Commission*

III. AUTHORITY AND FUNCTIONS OF THE NRC CHIEF FINANCIAL OFFICER

The NRC CFO will be responsible for and oversee all financial management activities relating to the programs and operations of the agency. Since most of these responsibilities are currently centralized in the existing NRC Office of the Controller, that office will be absorbed into the NRC Office of the CFO, the Office of the Controller will be abolished, and the functions will be assumed by the Office of the CFO. Additional responsibilities will be added to meet the requirements of the CFO Act. Specifically, the CFO will be responsible for

- (1) developing, maintaining, and implementing policies, procedures, and standards for carrying out the agency's financial management activities, including requirements for the oversight of full-time equivalent (FTE) staff utilization and for the selection and training of personnel involved in carrying out agency financial management functions;
- (2) managing the agency's internal control program to assess the adequacy of agency management controls in accordance with the Federal Managers' Financial Integrity Act;
- (3) developing the agency's Five-Year Plan, Five-Year Financial Management Plan, budget submitted to the Office of Management and Budget, and budget submitted to the Congress;
- (4) controlling the use of agency funds to ensure that they are expended in accordance with applicable laws and financial management principles (e.g., issuing allotments and associated financial plans to all agency allottees);
- (5) developing and maintaining an integrated agency accounting and financial management system that complies with the requirements of 31 USC 902(a)(3) and issuing financial status reports from that system;
- (6) monitoring the financial execution of the budget of the agency and submitting timely performance reports to the Executive Director for Operations;
- (7) preparing agency financial statements as required by 31 USC 3515;
- (8) preparing the annual report required by 31 USC 902(a)(6);
- (9) administering the agency's license fee program, including reviewing, on a biennial basis the fees and other charges imposed by the agency, and making recommendations on revising those charges;
- (10) concurring in and providing oversight of the design or enhancement of all agency financial management systems;

*Proposed Organization and Functions of the
Chief Financial Officer of the U.S. Nuclear Regulatory Commission*

- (11) providing travel services for all headquarters employees;
- (12) managing the agency's billing and debt collection activities;
- (13) providing oversight of and financial reporting guidance for agency property and inventory management and control activities;
- (14) providing statistical support services to all agency offices; and
- (15) advising the EDO on the appointment of the Deputy CFO.

IV. ADMINISTRATIVE STRUCTURE OF THE NRC OFFICE OF THE NRC CFO

The administrative structure of the NRC Office of the CFO is depicted in the attached chart. To complement that chart, the following paragraphs describe the interrelationship between the major CFO responsibilities and authorities and those of personnel engaged in financial management activities outside the Office of the CFO.

A. Agency Planning and Budgeting

The Division of Budget and Analysis (DBA) is responsible for developing the agency's Five-Year Plan (FYP) and the budgets submitted to OMB and to Congress. DBA prepares the initial drafts of these documents and, in conjunction with the NRC offices responsible for the various programmatic activities, develops the final drafts for approval by agency senior management. DBA analyzes the inputs from the various agency offices, resolves identified issues, and prepares the final draft for approval by the Executive Director for Operations (EDO) and the Commission. DBA will continue to have these responsibilities when it becomes a part of the Office of the CFO under this proposal.

B. Controlling the Use of Agency Funds During Budget Execution

DBA issues allotments of funds and associated financial plans to each of the major agency program offices, each of the agency regional offices, and each of the major agency support offices, as well as to the Commission and to the EDO. All initial agency financial plans and allotments of funds for a given fiscal year are based on the allocation of resources in the approved agency FYP and budget. Before DBA approves changes to such financial plans and allotments, allottees must explain the reasons for such reallocations and the effects of such reallocations on the agency's FYP.

DBA administers the allotments and financial plans for the Commission and the EDO. All other allotments and financial plans are administered by the allottee offices. DBA is responsible for developing and maintaining policies, procedures, and standards for carrying out such allottee responsibilities, including appropriate financial status reporting requirements. When DBA becomes a part of the Office of the CFO under this proposal, the CFO will

*Proposed Organization and Functions of the
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assess the need for any enhancements of the existing agency guidance for these functions in light of the CFO Act (e.g., requirements for the selection and training of the personnel involved in such activities and requirements for the periodic evaluation by the CFO of the conduct of such activities).

C. Controlling the Use of Agency Full-Time Equivalent (FTE) Staff During Budget Execution

The Office of the Controller issues the authorization of staffing levels for the various NRC offices to the Office of Personnel. These allocations are consistent with the approved agency FYP and budget. Each agency office is responsible for ensuring that it does not exceed its FTE allocation for a given fiscal year as allocated by the Office of Personnel. Once this proposal is implemented, the agency CFO will be responsible for developing and maintaining policies, procedures, and standards for allocating FTE ceilings and for the oversight of the financial management aspects of FTE utilization, including appropriate FTE status reporting requirements. In doing so, the CFO will assess the need for any enhancements of the existing agency guidance for these functions.

D. Monitoring the Financial Execution of the Budget

The CFO will be responsible for maintaining a continual oversight of the financial activities of the agency during budget execution. Examples of existing procedures that facilitate that oversight are given in the following paragraphs.

Commission papers constitute the principal instrument by which the Commission receives information needed for making decisions. Current agency procedures provide for the Office of the Controller to independently review resource estimates contained in such papers to ensure that all resource-related considerations have been fully and properly addressed. Once this proposal is implemented, that responsibility will be assumed by the Office of the CFO.

The Executive Director for Operations (EDO) periodically reviews the programs of all major offices reporting to him. The Controller currently participates in each of these program reviews and provides advice to the EDO regarding any financial issues. Once this proposal is implemented, the Controller's responsibility will be assumed by the CFO.

The agency Senior Contract Review Board (SCRB) reviews all proposed major agency procurements (those in excess of \$750,000 per year or \$2 million over a three-year period) before procurement action is taken. The Controller is currently a member of the SCRB. Once this proposal is implemented, the Controller's responsibility will be assumed by the Office of the CFO. In any case where the CFO does not support the conclusions of the SCRB, the CFO shall report his conclusions and reasons therefore to the EDO.

*Proposed Organization and Functions of the
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Around the middle of each fiscal year, the Office of the Controller conducts a review of the financial status of the agency, including the identification of any unfunded requirements. Based on that review, the Controller recommends reallocations of available agency funds as necessary to best achieve the agency's objectives as delineated in the FYP. Once this proposal is implemented, responsibility for the mid-year review will be assumed by the Office of the CFO.

Once this proposal is implemented, the CFO will assess the need for any refinements to the existing agency procedures for oversight of the financial activities of the agency during budget execution. If such changes are necessary, the CFO will ensure that they are implemented.

E. License Fees Activities

The Office of the Controller administers the agency's license fee program within the guidelines approved by the Commission. In order to prepare bills to collect license and user fees, the Office of the Controller requires information from the NRC offices that conduct the licensing and inspection activities. Specifically, those offices must delineate what staff time was expended and what contract assistance was provided to accomplish each licensing activity. That information is provided to the Office of the Controller in accordance with the reporting guidelines established by the Controller. Once this proposal is implemented, the CFO will assume responsibility for administering the NRC license fee program. In doing so, the CFO will assess the need for any revisions to the existing agency procedures for administration of license fee activities or to the existing resource tracking systems used to provide billing information.

F. Financial Systems Design and Development

The Office of Information Resources Management is responsible for the design, development, and modification of all agency automated information systems. This includes systems used for financial management. Once this proposal is implemented, the CFO will assess existing agency guidance pertaining to the design, development, and modification of these automated information systems, and will recommend any changes in this guidance that are necessary to be consistent with the requirements of 31 USC 902(a)(5)(D). In implementing that provision, the agency's intention will be to ensure that the CFO has concurrence authority over the specifications for the automated financial systems. The objective is to ensure that the systems comply with applicable laws, regulations, and other financial requirements and that they provide the financial information required by decision makers. The CFO will not necessarily have direct management (operating) responsibility for all of the agency automated information systems that process financial data. The CFO will, however, have the responsibility for ensuring that appropriate requirements are specified for the operation of and reporting from these systems.

*Proposed Organization and Functions of the
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G. Property and Inventory Management and Control

The Office of Administration is responsible for property and inventory management and control. Once this proposal is implemented, the CFO will assess existing agency guidance pertaining to these activities and will ensure the implementation of any changes in this guidance that are necessary to be consistent with the requirements of 31 USC 902(a)(5)(E). In implementing that provision, the intention is not for the CFO to have direct management (operating) responsibility for these activities. Rather, the CFO will have the responsibility for ensuring that appropriate requirements are specified for the conduct of and reporting on these activities.

H. Implementation of the Federal Managers' Financial Integrity Act

The Office of the Controller is currently responsible for coordinating the agency's internal control program in accordance with the Federal Managers' Financial Integrity Act (FMFIA). This responsibility is carried out through the agency's Internal Control Committee, which is chaired by the Deputy Controller. Once this proposal is implemented, the CFO will assume responsibility for managing the NRC internal control program. In doing so, the CFO will assess the need for any revisions to the existing agency guidance for conducting the evaluations required by the FMFIA. If such changes are necessary, the CFO will ensure that they are implemented.

V. CONCLUSION

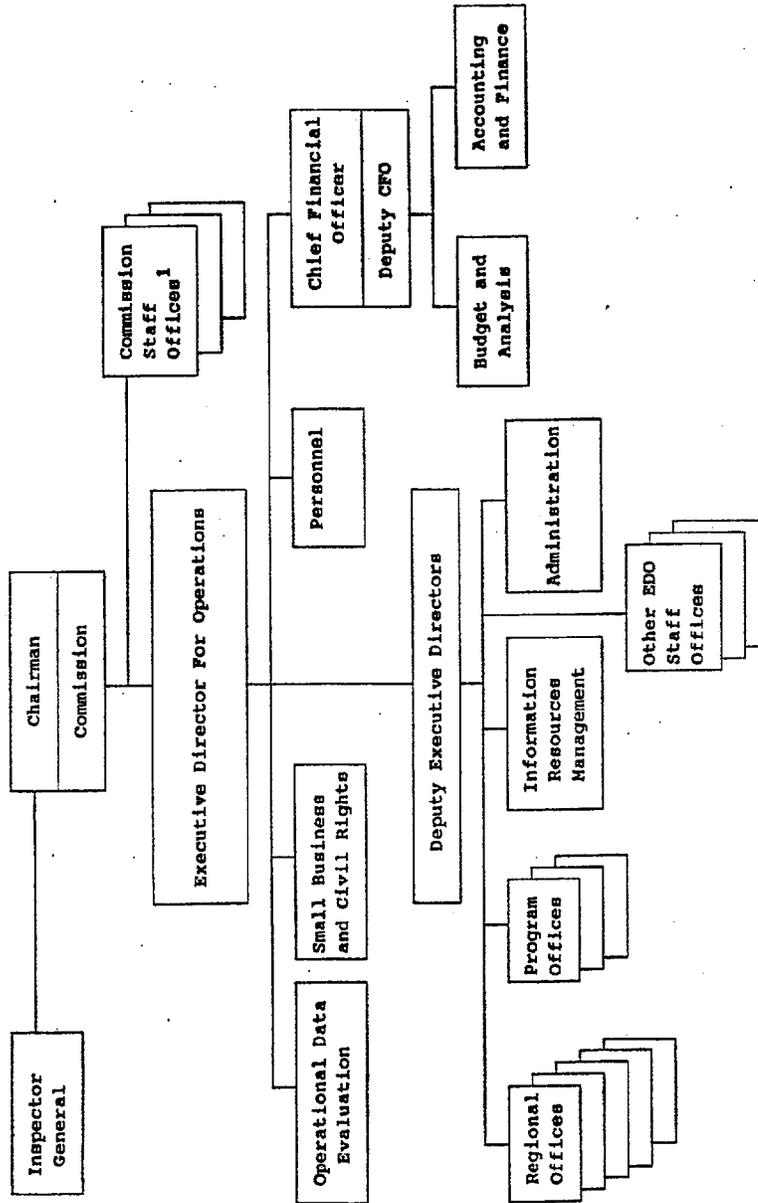
The Commission believes that by implementing this proposal the NRC will have a Chief Financial Officer who has the necessary access to agency senior management and the necessary authority to ensure that proper financial management is an integral part of agency decisions and operations. Once the Commission receives written notice of approval by the Director of OMB, it will implement this proposal. Specific changes needed to implement the creation of the Office of the CFO will be implemented through NRC's Management Directives System.

The NRC will continue to assess the requirements of the CFO Act, and the associated OMB guidance as it becomes available, to determine if any revisions are needed in current NRC policies, procedures, automated financial systems, and training programs. If necessary, such revisions will be made as soon as is practical after they are identified.

Attachment:
Administrative Structure of the Office of the Chief Financial Officer of the NRC.

ATC&U/

Proposed Administrative Structure for the NRC
 Office of the Chief Financial Officer



¹ Secretary of the Commission, General Counsel, Government and Public Affairs, Licensing Support System Administrator, Atomic Safety and Licensing Board Panel, Atomic Safety and Licensing Appeal Panel, Advisory Committee on Reactor Safeguards, and Advisory Committee on Nuclear Waste.



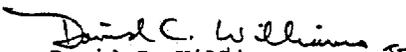
UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555

Enclosure 4

February 14, 1991

OFFICE OF THE
INSPECTOR GENERAL

MEMORANDUM FOR: Ronald M. Scroggins
Controller

FROM: 
David C. Williams
Inspector General

SUBJECT: DRAFT COMMISSION POLICY PAPER - NRC CFO

We have reviewed the draft Commission policy paper and offer the following comments.

There is no mention in the reorganization plan of the relationship between the Chief Financial Officer (CFO) and the Chairman vis-a-vis the Executive Director for Operations (EDO). It is our opinion that this relationship needs to be clearly delineated. If this relationship is not defined in the reorganization plan, it needs to be identified when the Chairman sets the specific policy guidance for the CFO.

The organizational chart shows that the CFO reports to the EDO in the same manner as other offices in the EDO chain. However, the program offices and the regional offices have intermediate reporting responsibilities. The proposed organizational structure should be changed to reflect these requirements.

We recognize that the policy guidance and procedures could not be developed prior to obtaining OMB's approval for the proposed organizational structure. We agree with your conclusion that there are certain areas that will need to be addressed in more detail. For example, how will the CFO interact with the Office of Personnel concerning the identification and allocation of staff resources between NRC offices?

We appreciate the opportunity to comment on this proposal. If you have any questions, please contact Tom Barchi or Bill Glenn on extension 27301.



UNITED STATES
 NUCLEAR REGULATORY COMMISSION
 WASHINGTON, D. C. 20555

MAR 19 1991

MEMORANDUM FOR: Chairman Carr
 FROM: James M. Taylor
 Executive Director for Operations
 SUBJECT: CHIEF FINANCIAL OFFICER (CFO)

In response to requirements in the Chief Financial Officers Act of 1990 (P.L. 101-576), SECY 91-046 forwarded the staff proposal for creating a CFO at the NRC. Subsequent to my submission of that paper to the Commission on February 19, 1991, OMB issued written guidance pertaining to the content of the CFO proposal. Thus, I withdrew SECY-91-046 from Commission consideration on March 1, 1991.

The current OMB schedule requires that the NRC submit its CFO proposal to OMB by April 1, 1991, and the staff has been revising the proposal to comply with the written OMB guidance. However, as a result of reviewing the new OMB guidance and discussing that guidance with OMB staff, it has become clear that one of the organizational aspects of the previous proposal is unlikely to be approved by OMB. Specifically, the previous proposal envisioned the CFO being appointed by and reporting to the EDO. OMB has indicated that the CFO must be appointed by and report to the Chairman as the head of the agency. Under this principle, they view three alternatives as acceptable.

One acceptable alternative to OMB is to have the CFO and the entire CFO organization structure report directly to the Chairman. I do not believe this to be the preferred alternative because it will remove this important function from its close relationship to the program mission and day-to-day resource management decisions. I would further emphasize that our program office safety priorities are closely coupled to our budget/financial decisions.

Another acceptable alternative to OMB is to separate the budget development function from the budget execution and accounting functions. The budget development function could report to the EDO, but financial management and accounting would be under the CFO who would report to the Chairman. While this alternative is slightly better than the first alternative, it is not an efficient structure and it suffers from the same problems as alternative 1.

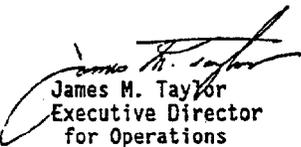
The third alternative acceptable to OMB was to designate the EDO as CFO. This approach is consistent with the concept embodied in the legislation which requires the CFO to have ability in general management of and practical experience in financial management practices. The Deputy CFO on the other hand is to have experience in accounting, budget execution, financial and

Chairman Carr

- 2 -

management analysis and systems development. This alternative will require the EDO to spend more time on the financial management responsibilities assigned to the CFO. On balance, however, I believe this alternative to be preferable to the others for effective NRC operations and the continuity of our priority safety missions. Therefore, I recommend the EDO be designated CFO for NRC. The Deputy CFO will have extensive financial management experience and direct the day-to-day operations of what is now the Office of the Controller.

In my March 1, 1991 memorandum recalling SECY 91-046, I indicated that I expected to forward a revised proposal to the Commission by March 20, 1990. While the staff is still trying to meet that date, it may not be possible to do so in light of the revisions to that proposal which will be required in connection with this organizational issue.


James M. Taylor
Executive Director
for Operations

cc: Commissioner Rogers
Commissioner Curtiss
Commissioner Remick
SECY
OGC
OIG

Attachment

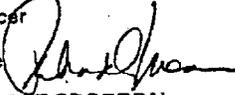


CHAIRMAN

UNITED STATES
 NUCLEAR REGULATORY COMMISSION
 WASHINGTON, D.C. 20555-0001

June 13, 2000

MEMORANDUM TO: Jesse L. Funches
 Chief Financial Officer

FROM: Richard A. Meserve 

SUBJECT: FY 2002-2003 BUDGET PROPOSAL

I have reviewed preliminarily your budget proposal for FY 2002-2003 as endorsed by the Executive Council (EC). I am looking forward to receiving your Scenario Planning Section of the Budget, and will review that material as well, when received. However, based upon the EC/Program Review Committee (PRC) briefing of June 12, 2000, there are areas about which I would like to receive some additional information. I regret if there is overlap between these issues and questions, and that the information which may be in the Scenario Planning document.

As I indicated in our session of yesterday, I am particularly interested in resource decisions made by the EC/PRC at the margin -- that is, the last programs to be funded, and the first to be excluded. In any event, the briefing presents a variety of questions:

- If the NRC were given an additional \$20 million, what projects would you propose in addition to the ones already in the budget? Similarly, if the NRC were forced to reduce its budget by \$20 million, what projects currently included in the budget would be dropped? The priority order for additions and deletions is of interest.
- If research were increased by \$4 million in FY 2002 and FY 2003, what activities does the EC/PRC believe would most productively utilize increased resources? Again, I would appreciate some notion of relative priorities in making these recommendations.
- Resource budgeting for Management and Support for FY 2002 is \$149.6 million and \$157.6 million for FY 2003. If this budget request was reduced by \$4 million for FY 2002 and FY 2003, respectively, what activities on a relative priorities basis would the EC/PRC recommend for elimination?
- Overhead costs: Would you please have your staff survey, to the extent practicable, Management and Support as a fraction of agency budget for the following agencies: Federal Aviation Administration, Food and Drug Administration, Environmental Protection Agency, and the Department of Energy.
- Information Technology (IT) budget: The IT budget seems to be one which could be subject to the most uncertainty for future resource planning. Is it reasonable to undertake deferrals of IT related activities? What are the consequences of these

deferrals? Is there enough contingency in the IT area given the current difficulties which are being encountered with the NRC's investment in the ADAMS system?

- Can you disaggregate the NMSS budget into components that deal with resource workload for fuel cycle facilities as distinct from the other materials licensees (for which there is expected to be a decline in caseload from 5300 to around 4000)? Also, can you create a separate component for NRC work to support generic requirements for the Agreement States program?
- The "FTE by Location" slide indicated that from FY 2000 to FY 2003 headquarters FTE is projected to drop from 1964 to 1952 (0.6%), while regional FTE is projected to drop from 793 to 766 (3.4%). Why is the FTE level assigned to the regions being reduced at a greater rate than in headquarters?
- The FY 2002 proposed budget indicates that a 30 percent labor rate efficiency is incorporated beginning in FY 2002 for license renewal application reviews based on lessons learned and insights gained from the Generic Aging Lessons Learned review. The FY 2002 proposed budget also indicates a resource reduction of 11 FTE in FY2002 to support licensing actions as a result of efficiencies identified through the work planning process and planned improvements of improved standard technical applications. Finally, the FY 2002 proposed budget indicates a resource reduction of 3 FTE in FY 2002 to support project management and licensing assistant activities for 103 nuclear power reactors as a result of expected efficiencies gained through process improvements. What are the uncertainties associated with each of these assumptions?
- The FY 2002 proposed budget indicates that the budget provides an average of 1900 onsite inspection hours per reactor annually. The regions' annual model for the reactor baseline inspection program consists of 2672 hours for a single unit facility, 2865 hours for a dual unit facility, and 3173 hours for a three unit facility. How do you justify this inconsistency?
- Appendix V of the FY 2002 proposed budget indicates that the number of noncompliances which must be dispositioned is expected to increase slightly. Why does the proposed budget include a reduction in reactor enforcement?

cc: W. Travers, EDO
S. Reiter, (A)CIO
K. Cyr, OGC
F. Goldberg, OCIO
F. Miraglia, DEDR
P. Norry, DEDM
C. Paperielto, DEDMRS
P. Rabideau, DCFO
L. Reyes, RII
J. Dyer, RIII